

*2012 Diversity Procurement Report and 2013 Plan of
Cox Communications California, LLC and
Cox California Telcom, LLC*

*Submitted To Members of the California
Assembly Utilities and Commerce Committee,
the California Senate Energy, Utilities and
Communications Committee and
the California Public Utilities Commission*

March 1, 2013



Connecting you
to the power of
diversity



Cox Communications, Inc. (“Cox”) provides cable, high-speed Internet, and wireline telephone service in California and 16 other states. In California, services are provided by its subsidiaries Cox Communications California, LLC, a cable corporation that provides video and high-speed Internet services, and Cox California Telcom, LLC,¹ a California Public Utilities Commission-regulated telephone corporation providing voice and transport services. Both companies provide service to residential and business customers located in portions of Santa Barbara, Los Angeles, Orange and San Diego counties.

In 2011, Governor Brown signed into law Assembly Bill 1386 (Bradford), amending California Public Utilities Code section 8283, which addresses women, minority and disabled veteran owned business enterprise procurement. Section 8283(f)(2) encourages video providers, including cable corporations, to adopt procurement practices aimed at increasing women, minority and disabled veteran business enterprise procurement, and to voluntarily file reports of such activity with the Legislature on an annual basis.

This report provides information about Cox’s national and California procurement activities. Reported procurement represents Cox’s spend nationwide.

¹ Cox California Telcom, LLC is a public utility and subject to California Public Utilities Commission General Order 156, *Rules Governing the Development of Programs to Increase Participation of Women, Minority, and Disabled Veteran Business Enterprises in Procurement of Contracts from Utilities as Required by Public Utilities Code Sections 8281-8286* (“GO 156”). Cox California Telcom, LLC does not have any GO 156 reportable procurement activities.



In 2012, Cox celebrated the 10th anniversary of our Executive Diversity Council, which was established to ensure Cox's continued commitment to diversity in the areas of employees, products and services, community engagement and suppliers. Through our Executive Diversity Council, which is led by our President, Pat Esser, and comprised of leadership throughout our organization, Cox is able to maintain a culture supportive of diversity and inclusiveness, as established more than 100 years ago by our founder, Governor James M. Cox.

To support this effort, we also established local Diversity Councils in our operational centers across the country (including California), giving our employees who live and work in those markets, and are a part of diverse groups themselves, the opportunity to have a voice in our diversity initiatives.

Cox believes firmly that when we do business with a greater array of companies, we benefit from a powerful breadth of experience, perspective and expertise, which helps enhance the services we provide to our customers. These relationships, in turn, help us all strengthen the economic infrastructure of local communities.

Cox is committed to cultivating and maintaining relationships with minority, women, veteran, and Lesbian, Gay, Bisexual or Transgender ("LGBT") owned suppliers in the communities we serve and in our corporate headquarters in Atlanta, Georgia. Cox operates a comprehensive supplier diversity program that both reinforces and measures our work towards this goal.

This report has many examples of Cox's commitment to using diverse suppliers, including the following, of which we are extremely proud:

- **22.4% spend with diverse suppliers in 2012, a nearly 3% increase over 2011;**
- **Cox named 2012 Diversity Champion of the Year by the Walter Kaitz Foundation;**
- **Cox utilized 1,000 diverse suppliers nationwide in 2012;**
- **The start of a 3-year, half-a-million dollar investment to improve supplier diversity reporting and analytics;**
- **Doubled spend with women and minority owned law firms/legal services companies;**
- **Use of women and minority owned companies for energy procurement.**

I am very fortunate and proud to serve on Cox's Executive Diversity Council, and to work alongside the 49 California-based employees who voluntarily serve on our local Diversity Council in California. Together, along with all Cox employees, we are committed to maintaining our company's culture of diversity and inclusiveness throughout our organization and California.

Thank you,

A handwritten signature in cursive script that reads "David A. Bialis".

David Bialis
Senior Vice President and General Manager, Cox California

Table of Contents

Page

Supplier Diversity Activities Engaged in During 2012.....	5
<i>Internal Program Activities.....</i>	<i>5</i>
-Cox Diversity Councils.....	5
-Supply Chain Management.....	6
-Education and Awareness.....	6
-Ongoing Employee Communication.....	6
-Support.....	6
-Supplier Certification.....	7
-Enhanced Reporting.....	7
-Requests for Proposal.....	7
-Tier II Program.....	7
<i>External Program Activities.....</i>	<i>8</i>
-Diversity Organizations and Business Councils.....	8
-Additional Outreach Activities.....	9
-National Diversity Partnerships.....	9
-Industry Diversity Partnerships.....	9
-Board Membership and Committee Participation.....	10
-California Cable Industry Supplier Diversity Best Practices.....	10
-California Cable Supplier Diversity Matchmaking Fair.....	11
-Awards and Recognition.....	12
-Supplier Diversity Website.....	13
Cox Supplier Diversity Progress in 2012	14
Cox Supplier Diversity 2013 Goals.....	15
Encouraging Entry Where There Has Been Low Utilization.....	16
-Legal Services.....	16
-Energy Consumption.....	16
-Telecommunications and Network Equipment.....	17
Supplier Diversity Activities Planned for 2013.....	18
Conclusion.....	19

Cox's Supplier Diversity Activities In 2012

INTERNAL PROGRAM ACTIVITIES

Cox Diversity Councils

Cox's California Diversity Council supports Cox's diversity objectives throughout the state. Modeled after the Executive Diversity Council at our corporate headquarters, the local Diversity Councils are charged with expanding our diversity efforts in terms of employment, products and services, community and purchasing.

The Diversity Councils are comprised of a cross-representational group of volunteer employees, and take a proactive approach to focus and increase Cox's reach by identifying and aligning with the make-up of the communities we serve.

Our California local Diversity Council has a Supplier Diversity Subcommittee under the sponsorship and guidance of our Vice President of Field Information Technology. Our California Director of State Regulatory Affairs also provides support to the group as its Resource Leader. The local Supplier Diversity Subcommittees work with Cox's corporate Supply Chain Management department to help to increase Cox's use of diverse suppliers by:

- Identifying diverse supplier resources;
- Helping match local needs with available diverse suppliers;
- Participating in internal and external outreach activities;
- Creating employee awareness of the benefits of using diverse suppliers, thereby helping to maintain Cox's diversity-supportive culture.



Supply Chain Management

Cox's supplier diversity program is managed by members of our corporate Supply Chain team, who are held accountable to Cox's supplier diversity goals through their compensation. These employees and managers direct most of Cox's sourcing efforts nationwide, and provide support to Cox's local operations and purchasing managers by assisting them with identifying, negotiating with, and utilizing suppliers, including diverse suppliers.

Through their participation in recruiting and outreach, membership in supplier diversity organizations and experience in strategic sourcing, Cox's Supply Chain Management team is able to best leverage opportunities both locally and on a national basis, allowing Cox to provide the greatest opportunities for our diverse suppliers.

Education and Awareness

In order to build awareness of our supplier diversity program, and maximize the use of diverse suppliers, Cox's local Supplier Diversity Subcommittee representatives meet with purchasing managers and business groups to discuss opportunities. These awareness sessions give Supplier Diversity Subcommittee representatives an opportunity to highlight specific diverse suppliers, review the various tools that are available for purchasing managers to identify a diverse supplier, and reinforce the benefits of having a successful program.

Cox offers its employees supplier diversity training called "Why Supplier Diversity Matters." This training provides a foundation for understanding Cox's supplier diversity program, developing common language, and informing employees of the social and economic value of having a thriving program. Cox also has developed several job aids and tools that can be used as a quick reference to assist in locating a diverse supplier when a purchasing need arises.

Ongoing Employee Communication

Cox recognizes the importance of providing ongoing communications to employees about the company's supplier diversity program. This is the best way to keep employees informed of our progress and to ensure they understand company expectations. Cox's Supply Management team holds regularly scheduled calls with Diversity Council members to discuss spend activities and our status in meeting its goals. Report cards also are provided to ensure relevant employees stay informed. These efforts are reinforced by the work of the local Diversity Councils and Supplier Diversity Subcommittees.

Support

To help ensure that diverse suppliers are continually included in the solicitation process, our purchasing managers have access to diverse supplier databases such as Cox's own supplier database, the Minority Business Information System (MBISYS) – an online, national database that provides comprehensive information on more than 15,000 of America's top minority-firms, and the CPUC's Utilities Supplier Diversity Database.

Supplier Certification

Cox tracks spend with Minority Business Enterprises (“MBE”), Women-owned Business Enterprises (“WBE”), Veteran-owned Business Enterprises, which includes service-disabled veteran-owned businesses (“VBE”), and Lesbian Gay Bi-sexual or Transgender (“LGBT”)-owned business. We only recognize spend with diverse suppliers who have certified their status through organizations such as the National Minority Supplier Development Council (“NMSDC”), Women’s Business Enterprise National Council (“WBENC”), the California Supplier Diversity Clearinghouse, the Veteran's Administration and the National Gay & Lesbian Chamber of Commerce.

In addition, we utilize the services CVM Solutions, an MBE and premier provider of supplier screening solutions, to confirm vendor certification, which helps ensure the accuracy and integrity of our program.

Enhanced Reporting

Cox also uses CVM Solutions for the development and management of our diversity spend reporting tools. We have committed to investing half-a-million dollars over the next three (3) years to implement better analytics and databases, which will improve our ability to more strategically identify: near and long-term spend need, progress towards annual goals, and opportunities for diverse suppliers.

By late 2013, Cox will have reporting functionality that will enable us to monitor our MBE spend by specific ethnic category (Hispanic, African American, etc.). This will assist us in identifying groups that may require additional focus for future procurement.

Requests for Proposal

Cox utilizes Requests for Proposal (“RFP”) for multiple goods and services. We utilize several measures as part of the RFP evaluation process, which helps to identify and increase utilization of diverse suppliers. RFPs include information about Cox’s policy of using diverse suppliers. Companies responding to RFPs are able to include information about their diversity status, which is validated during the review period by CVM Solutions. Additional points are awarded during supplier evaluations to diverse suppliers and to suppliers with Tier II commitments.

Tier II Program

A Tier II requirement is the best way of ensuring that as many companies as possible are providing diverse suppliers with scalable business opportunities. Cox believes that this effort will enhance corporate competitiveness, increase the economic advancement of its community, and is ultimately good for overall business growth.

Cox’s Tier II strategy is reflected in its vendor agreements of at least \$500K by endorsing a policy of the vendor using diverse suppliers for work related to the products or services. Based on a threshold amount of spend and the type of service provided, vendors contractually commit to meet a specific percentage of Tier II spend. Under Cox’s Tier II policy, a vendor may be required to use reasonable efforts to direct as much as 20% of its total spend related to its agreement with us to certified diverse suppliers.

Suppliers with Tier II requirements provide quarterly reports to Cox. To help manage this process, we created an online tool that allows suppliers to report the amount they spend with diverse sub-contractors for Cox projects.

EXTERNAL PROGRAM ACTIVITIES

Diversity Organizations and Business Councils

Cox actively participates and holds leadership positions in many organizations that support, develop and promote diversity, including diverse suppliers. Through our memberships, we have numerous opportunities to meet potential diverse suppliers and provide advice to potential vendors on conducting business with Cox.

Although Cox participates in organizations and business councils that focus on promoting diversity throughout our national footprint, the following list is representative of our California and corporate-level participation:

- National Minority Supplier Development Council (NMSDC)
- Greater Women's Business Council ("GWBC")
- National Hispanic Corporate Council
- San Diego Regional National Minority Supplier Development Council
- Santa Barbara Hispanic Chamber of Commerce
- Santa Barbara Women's Festival
- Chicano Federation of San Diego
- MANA de San Diego
- Girls Incorporated of San Diego County
- Empowered Girl Alliance/Women Worldwide West Coast
- Women's Resource Center
- Filipino American Chamber of Commerce of Orange County
- The Association for Women in Communications
- Orange County Hispanic Chamber of Commerce
- San Diego Asian Film Foundation



Additional Outreach Activities

Cox participates in many events that provide opportunities for us to meet potential diverse suppliers. Additionally, we sponsor events that bring recognition to organizations and suppliers making great strides in supplier diversity programs. In 2012, we participated in or hosted the following events:

- Regional NMSDC Business Opportunity Luncheons
- Regional NMSDC Business Opportunity Expo & Conferences
- NMSDC National Conference
- WBENC Summit & Salute Conference
- Regional NMSDC Conference
- California Cable-Telecommunications Supplier Diversity Fair & Expo
- San Diego Regional NMSDC Supplier Diversity Awards Ceremony
- Women's Business Enterprise Council-West and National Association of Women Business Owners Holiday Roundtable

National Diversity Partnerships

Cox has forged partnerships with major national diversity organizations. In addition to providing cash and in-kind support to these organizations, we engage in many local partnership opportunities with these organizations in support of our business and social responsibility goals:

- National Urban League, the nation's largest community-based movement devoted to empowering African Americans to enter the economic and social mainstream;
- Human Rights Campaign, the nation's largest civil rights organization working to achieve lesbian, gay, bi-sexual and transgender equality;
- LULAC, the nation's largest and oldest civil rights volunteer-based organization that empowers Hispanic Americans and builds strong Latino communities. With 900 councils around the United States and Puerto Rico, LULAC's programs, services and advocacy address the most important issues for Latinos, meeting critical needs of today and the future

Industry Diversity Partnerships

Cox is also a proud sponsor of cable and telecommunications industry organizations, which benefit minorities and advocate diversity and development, and in which our employees invest countless volunteer hours:

- National Association for Multi-Ethnicity in Communications (NAMIC)
- Women in Cable Telecommunications (WICT)
- The Walter Kaitz Foundation
- Emma L. Bowen Foundation for Minority Interests in Media
- Cable Positive

Board Membership and Committee Participation in Diversity Organizations

Cox senior leaders and executives hold board and committee positions in many of the organizations that we support. A sample of Cox's board and committee participation includes the following:

- Board member, NMSDC, Industry Group (Advertising, Entertainment, Media & Sports)
- Board member, regional NMSDC
- Member Education Committee, regional NMSDC
- Board member, San Diego LGBT Community Center
- Board member, Mexican American Business & Professional Association
- Board member, NAMIC, Southern California Chapter
- Board member, WICT, Southern California Chapter
- Board member, San Diego Asian Business Association

California Cable Industry Supplier Diversity Best Practices

Since 2010, members of the California cable-telecommunications industry have been meeting regularly to share best practices and to identify potential opportunities for supplier development unique to our industry. The group shares information about each company's supplier diversity programs, which includes discussions about various practices related to outreach, education and awareness, and development.



California Cable Supplier Diversity Matchmaking Fair

In 2012, Cox, jointly with Comcast, Time Warner and Charter, hosted the 2nd Annual California Cable-Telecommunications Supplier Diversity Matchmaking Fair and Expo, which was held in Anaheim. The event, entitled *Connecting Communities We Serve with Business Opportunities*, provided diverse vendors introductions to procurement managers of the four largest cable-telecommunications companies in California (and the country). In 2012, vendor registration for this event increased by 150% over 2011, helping to build upon the success of our first year.

The event also provided critical educational opportunities. Attendees learned about the future and challenges of the cable-telecommunications industry by Cox Vice President of Video Product Development and Support, Steve Necessary. They also were given opportunities to hear information and ask questions about the certification processes of WBENC, NMSDC, the US Small Business Administration, and the California Supplier Clearinghouse. Additionally, two diverse vendors shared their experiences in getting their “foot-in-the-door” of cable industry members, and provided advice to audience members.

Several organizations were invited to share information about supplier certification process and support, including the California Supplier Clearinghouse, WBEC-West, the Walter Kaitz Foundation, Elite Service Disabled Veteran Owned Business Network, NAMIC, and the Southern California Minority Business Development Counsel. Cox is looking forward to the 2013 event, which is planned for San Jose.



Awards and Recognition

Diversity Champion of the Year:



Each year the Walter Kaitz Foundation recognizes an organization that acts as a catalyst for diversity within the organization itself and throughout the cable industry.

Recognizing Cox's great work, such as its Executive and local Diversity Councils, active supplier diversity program and a philanthropic program that devotes 48% of its funding to diversity-themed organizations, we had the very special honor of being named the 2012 Diversity Champion of the Year by the Walter Kaitz Foundation.

Other Honors:

Cox has been fortunate to receive numerous awards and recognition for our commitment to diversity. These include:

- DiversityInc Top 50 Companies for Diversity® – six consecutive years with distinction among the Top 25 companies, 2006-2012
- DiversityInc Top 10 Companies for Supplier Diversity – 2011
- DiversityInc Top 10 Companies for Blacks – 2011, 2012
- Best Operator for Women in Cable –eight consecutive years, Women in Cable Telecommunications PAR Survey, 2004-2011
- The Minority Corporate Counsel Association (MCCA) honored Cox Communications (Atlanta) as an Employer of Choice, recognizing the diversity initiatives and inclusive policies of Cox's corporate legal department, 2005
- San Diego Supplier Development Council, Advocate of the Year, 2012
- San Diego Supplier Development Council, Achievement Award, 2012

Supplier Diversity Website

Cox's supplier diversity website (<http://bit.ly/13gsl40>) provides a venue for suppliers to connect with all Cox companies that may need their services. Suppliers may register to do business with us via our supplier diversity web portal. Registration allows suppliers to participate in up-coming solicitations for products and services by Cox purchasing managers nationwide.



Cox Supplier Diversity Progress in 2012

The following reflects purchases nationwide (including California) from Minority Business Enterprises (“MBE”), and Women-owned businesses, Veteran-owned businesses and Lesbian Gay Bisexual or Transgender (“WBE/VBE/LGBT”)-owned businesses; as well as the Tier II spend of our direct suppliers.

Category	2012 - Total (millions)
MBE*	\$105.2
WBE/VBE/LGBT	\$97.1
Tier II	\$23.4
TOTAL	\$225.6
% of Discretionary Spend	22.4%

Procurement Dollars (millions)	2007	2008	2009	2010	2011	2012
MBE	\$65.6	\$91.3	\$100.22	\$110.5	\$106.80	\$105.2
WBE/VBE/LGBT	\$129.21	\$161.03	\$108.31	\$104.05	\$93.55	\$97.1
Tier II	\$4.29	\$4.68	\$7.11	\$14.7	\$26.9	\$23.4
TOTAL	\$199.1	\$257.01	\$215.64	\$229.25	\$227.25	\$225.6
% of Spend	N/A	N/A	18.27%	17.87%	19.70%	22.4%

*Cox will have the ability to identify spend by ethnicity by late 2013.

Cox Supplier Diversity 2012 Goals

Cox recognizes the value of investing in diversity and therefore we will continue to challenge ourselves to increase our use of diverse suppliers. To this end, Cox has established a 2013 target of making 25% of its discretionary purchases from MBE and Diverse Suppliers.



Encouraging Entry Where There Has Been Low Utilization

Cox recognizes that certain fields tend to attract a smaller amount of women and minorities. Cox has tried to focus its efforts on areas where it and other companies historically have low spend with diverse suppliers. Cox has expanded its efforts in the following low utilization areas:

Legal Services

Cox has a policy of working with law firms that employ minority and women lawyers and paralegals. In support the National Association of Women and Minority Owned Law Firms, Cox has committed to have 5% of our legal spend go to certified minority and women-owned businesses in the legal profession. The first year of our commitment, Cox met its goal with 5% spend in 2011. In 2012, Cox more than doubled this, and surpassed its commitment, with 10.36% spend.

In addition to these efforts, since 2005, Cox has used the legal services of a California-based, woman-owned law firm (which is in the process of becoming a certified WBE) almost exclusively for representation before the CPUC and for advice on California regulatory matters. In 2012, Cox's Nevada affiliate began using this woman-owned law firm for Regulatory matters in Nevada.

Energy Consumption

Hand-in-hand with our Cox Conserves environmental conservation programs, which include a goal of reducing all Cox companies' carbon footprint by 20%, Cox has begun to utilize alternative and diverse suppliers for its energy consumption.

Cox has fuel cells powering its operations at five separate locations in California. Cox has engaged Golden Valley Gas Services, a WBE, to do the scheduling of our all natural and biogas needs for these fuel cells.

Additionally, in 2012, Cox began procuring natural gas directly from WBE Tiger Natural Gas for several operations. Although not yet providing fuel in California, Tiger Natural Gas will be part of an upcoming RFP process that could expand Cox's use of Tiger into our California locations.

In 2013, Cox will begin purchasing energy from Liberty Power, a deregulated Hispanic MBE supplier, and is hoping to expand use of Liberty Power to several locations nationwide. Due to current California-imposed limits on the amount of energy that can be procured from retail providers, Cox may not have the ability to use Liberty in California at this time.



Telecommunications and Network Equipment

Cox's telecommunications and network equipment represent some of our largest expenditures. In previous years, we have made great efforts to implement and expand our Tier II program for equipment vendors because we have found it difficult to find diverse suppliers who can directly support Cox's equipment needs.

We are proud to share that we are finalizing a new purchasing arrangement for equipment from one of our larger providers that will address this concern. Under this new agreement, Cox will acquire the equipment from a minority-owned logistics company directly, instead of from the manufacturer. This will greatly benefit Cox because the third party logistics vendor can better meet Cox's needs by creating a consistent experience for ordering, packaging and delivering the equipment to Cox nationwide.

Supplier Diversity Activities Planned for 2013

Cox will continue its efforts at recruiting and awareness and has the following activities planned for 2013:

- Regional and National recruiting and mentoring events sponsored by organizations such as NMSDC and WBENC;
- Participate in California cable industry sponsored supplier diversity recruiting and learning events, such as the Walter Kaitz Supplier Diversity Workshop;
- Participate in local and national chamber and minority business association-sponsored diversity events;
- Continue to work with California cable companies to increase opportunities for diverse suppliers in our industry;
- Continue to participate, and hold Board and committee membership, in organizations, such as NMSDC, that promote diverse suppliers;
- Continue work with prime contractors to increase their use of diverse suppliers to ensure they are meeting or exceeding their Tier II contractual obligations
- Meet with organizations that represent diverse suppliers in an effort to recruit new diverse suppliers.



Conclusion

Cox remains committed to ensuring opportunities for diverse suppliers in the communities we serve and in our corporate headquarters in Atlanta, Georgia. We have shown great progress and in 2012 spent over \$225 million, or 22.4% of our discretionary spend, with diverse suppliers. Through our ongoing external and internal activities we believe we can increase our diverse spend to 25% in 2013.

